



BellSouth Telecommunications, Inc.
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February 8, 2000

Guy M. Hicks
General Counsel

EXECUTIVE SECRETARY

VIA HAND DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Tariff Filing of BellSouth Telecommunications, Inc. to Reduce Grouping Rates in Rate Group 5 and to Implement a 3% Late Payment Charge*
Docket No. 00-00041

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth Telecommunications, Inc.'s response to the Staff's data request dated February 1, 2000. A copy of the enclosed is being provided to Mr. Collier. Proprietary information in the response to Item Number 3 has been redacted and will be provided to the Authority upon entry of a protective order.

Very truly yours,

Guy M. Hicks

GMH:ch
Enclosure
cc: Richard Collier

PAID

BellSouth Telecommunications, Inc.

Tariff No. 00-00041

TRA's First Data Request

February 1, 2000

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EXECUTIVE SECRETARY

REQUEST: Does BST propose to apply the 3% late payment charge to basic services as defined by T.C.A. § 65-5-208?

RESPONSE: The late payment charge will apply to any unpaid balance for the previous month's bill that has not been paid prior to the next billing date.

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REQUEST: If the answer to 1 above is yes, please explain why BST believes the late payment charge does not violate the prohibition against increasing basic local exchange telephone rates pursuant to T.C.A. § 65-5-209?

RESPONSE: Section 65-5-209(f) provides that "the initial basic local exchange telephone service rates of an incumbent local exchange company subject to price regulation shall not increase for a period of four (4) years from the date the incumbent local exchange company becomes subject to such regulation." The proposed Late Payment Charge does not violate this prohibition because it is not a rate for any telecommunications service and will not result in an increase in initial basic local exchange telephone service rates. Persons who receive basic residential telephone services, for instance, will be billed the same rates for those services after the implementation of a Late Payment Charge as they were billed for those services before the implementation of the Late Payment Charge, and if they pay their bills on time, they will never be affected by the Late Payment Charge. The Late Payment Charge will only affect customers who order service, receive the benefit of those services, and cause BellSouth to incur additional costs by failing to pay for those services on a timely basis.

REQUEST: Provide the calculation of late payment revenues to be generated by the 3% late payment charges. If possible, show calculations of late payment charges generated from basic and non-basic revenues.

RESPONSE: The calculation for determining the revenue impact of a late fee in Tennessee is shown below. Details on charges for basic and non-basic services are not available.

Customers	Annual Overdue Payments (\$M)	Late Payment Percentage	Average Annual Late Payment Charges (\$M)
Consumer	\$ [REDACTED]	3.0%	\$ [REDACTED]
State Govt	\$ [REDACTED]	1.5%	\$ [REDACTED]
Other Business	\$ [REDACTED]	3.0%	\$ [REDACTED]
Business Sub-total	\$ [REDACTED]		\$ [REDACTED]
Less "B" tariff LPC			\$ [REDACTED]
Business			\$ [REDACTED]
TOTAL			\$ [REDACTED]

REQUEST: Identify any cost differences for the provisioning of grouping services in Rate Group 5 as compared to Rate Groups 1, 2, 3, or 4?

RESPONSE: The cost of provisioning grouping services does not vary significantly across rate groups. The rates for grouping services, however, are not and never have been based on the cost of providing the service. In fact, the rates for hunting always have varied across Rate Groups.

The former Public Service Commission ("PSC") and this Authority have long allowed variation of rates charged for similar services among different rate groups, notwithstanding the cost associated with provisioning such services in different rate groups. Indeed, these variations were in many instances the result of "social pricing" policies by which business rates for services such as grouping were intentionally set high as a means of subsidizing residential rates, which have been provided below cost to consumers. A clear example is the 1FB flat rate charge of \$39.70 per month for subscribers in Rate Group 5 as compared to the same charge to those in Rate Group 1 (\$27.05). This difference in rates across Rate Groups continues even though it clearly is more expensive to provide 1FB service in Rate Group 1 than in Rate Group 5.

Finally, it is clear from various filings and proceedings before the TRA that BellSouth's competitors are free to select the areas in which they will make their services available to consumers and the prices they will charge for those services.

REQUEST: Rate groups currently permit the assessment of higher rates for larger local calling scopes. Please discuss BST's justification for reducing grouping charges for Rate Group 5 customers only?

RESPONSE: Competition dictates this tariff. CLECs are actively marketing service which includes grouping services at rates substantially lower than BellSouth's tariffed rate. For example, BellSouth's current monthly tariffed rate for a 1FB with grouping service in Rate Group 5 is \$69.48. Adelphia Business Systems' comparable monthly rate is \$48.00 and Nextlink's monthly comparable rate is \$42.00. To the beset of BellSouth's knowledge, however, Adelphia and Nextlink only offer these services in Rate Group 5. Exhibit 1 provides examples of comparable tariff rates and pricing initiatives used by CLECs. (See Exhibit 1) These CLEC rates are a competitive threat to BellSouth's ability to market comparable services.

Moreover, the CLECs clearly are treating Rate Group 5 differently than Rate Group 4. To the best of BellSouth's knowledge, many more competitors are operating in Rate Group 5 than in Rate Group 4, and virtually none are operating in Rate Group 3. (See Exhibit 2) For example, Adelphia and Nextlink are actively competing in Rate Group 5, but not Rate Group 4. BellSouth has every expectation that Rate Group 4 will experience the same degree of competition in the future, at which time BellSouth anticipates it will file similar tariffs in Rate Group 4. BellSouth will use its business judgment to determine the appropriate timing and specific nature of such filings.

BellSouth has filed a tariff that, once approved by the TRA, will provide lower rates for grouping services. The competition has clearly focused its efforts on the highly lucrative Rate Group 5 customers, and BellSouth has elected to meet this competition at this time by reducing rates in Rate Group 5.

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REQUEST: If there are no significant cost differences in providing grouping service to Rate Group 5 customers as opposed to Rate Groups 1-4, how does BST's proposal comply with 47 U.S.C. § 254(b) (3)?

RESPONSE: Section 254(b) sets forth certain "Universal Service Principles" for the Federal-State Joint Board on Universal Service and the FCC. Subsection (b)(3), Access in Rural and High Cost Areas, provides

Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban rates.

This provision relates to the appropriate funding and sizing of the universal service fund. It does not govern the Authority's review of this tariff. Indeed, since passage of the federal Act the Authority has continued to allow variation of rates charged for similar services among different rate groups. A clear example is the 1FB flat rate charge of \$39.70 per month for subscribers in Rate Group 5 as compared to the charge to those in Rate Group 1 (\$27.05) for the same service. This difference in rates across Rate Groups continues even though it clearly is more expensive to provide service in Rate Group 1 than in Rate Group 5.

BellSouth does not believe the Section 254(b) was intended to inhibit telecommunications service providers from reducing their rates in response to competition, particularly since the Act was intended to encourage competition. To the extent the Staff believes otherwise, then it follows that all carrier rates across the state (and Rate Group pricing) should be rebalanced in the context of the universal service fund proceeding (Docket No. 97-00888).

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Moreover, the grouping services which are the subject of the rate reduction proposed by BellSouth are available in all rate groups in Tennessee, and the rates proposed by BellSouth are reasonably comparable to the existing rates as shown below:

1FB with grouping	Rate Group 5 Rate	\$52.50 (proposed)
	Rate Group 4 Rate	\$68.34
	Rate Group 3 Rate	\$57.31
	Rate Group 2 Rate	\$53.90
	Rate Group 1 Rate	\$47.34

The grouping services offered by CLECs, on the other hand, are available only in the largest metropolitan areas of the state. CLECs are not offering reasonably comparable services to consumers in all Rate Groups.

Therefore, to the extent Section 254(b)(3) is even applicable to this tariff (which is not the case), it is the CLECs, not BellSouth, that are failing to provide reasonably comparable services throughout all Rate Groups in Tennessee.

EXHIBIT 1

Competitive Rates in Tennessee					
BellSouth Rate Group 5 Rate - 1FB w/ Hunting	\$ 69.48 Hunting Included				
BellSouth Rate Group 4 Rate - 1FB w/ Hunting	\$ 67.00 Hunting Included				
Business Lines with Hunting	Monthly	1 year	2 year	3 year	
AT&T ¹	\$ 42.22	\$ 42.22	\$ 42.22	\$ 42.22	
Adelphia	\$ 48.00	n/a	n/a	n/a	
ICG	\$ 39.25	\$ 38.25	\$ 37.25	\$ 36.50	
Nextlink	\$ 42.00	\$ 35.00	\$ 33.00	\$ 31.00	
NewSouth	N/A	\$ 41.69	\$ 33.92	\$ 32.79	
Time Warner	\$ 38.00	n/a	\$ 34.30	\$ 32.45	
US LEC	N/A	\$ 39.95	\$ 35.95	\$ 35.00	
Average Rate	\$ 41.89	\$ 39.42	\$ 36.10	\$ 34.99	
**Rates include Hunting Rate Range	\$38.00 - \$48.00	\$35.00 - \$42.22	\$33.00 - \$42.22	\$31 - \$42.22	

Source: Proposals from customer, company brochure, literature, price sheet, Tennessee Regulatory web site

¹ \$42.22 in Nashville and Knoxville, \$45.25 in Chattanooga, hunting included.

EXHIBIT 2

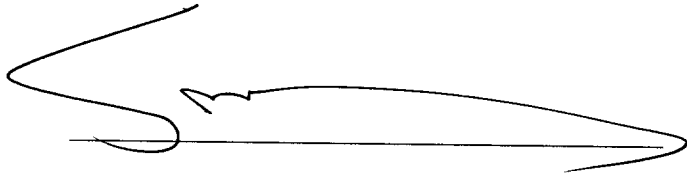
<u>Rate Group Chart</u>		
<u>Rate Group 4</u>	<u>Rate Group 5</u>	<u>Rate Group 4&5</u>
ACSI	AT&T	BlueStar Communications, LLC
Brooks Fiber Communications of TN, Inc.	Adelphia Business Systems, Inc.	Teleport Communications Group (TCG)
KMC Telecom, III, Inc.	ICG Telecom Group, Inc.	US LEC of Tennessee
	Intermedia Communications	
	MFS Intelenet of Tennessee, Inc.	
	MCIMetro Access Transmission Services, Inc.	
	Metropolitan Fiber Systems of Tennessee, Inc.	
	New South Communications, LLD	
	NEXTLINK	
	Teligent, Inc.	
	Time Warner	

CERTIFICATE OF SERVICE

I hereby certify that on February 8, 2000, a copy of the foregoing document was served on the parties of record, via the method indicated:

- ☒ Hand
- ☐ Mail
- ☐ Facsimile
- ☐ Overnight

Richard Collier, Esquire
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0500

A handwritten signature in black ink, appearing to read 'Richard Collier', written over a horizontal line.